

**MINUTES OF REGULAR MEETING
OPEN SESSION
August 24 and 25, 2009
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Monday, August 24, 2009 a Regular Meeting of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Monday August 24, 2009 at approximately 9:30 a.m. the following Board Members were present: Members Charles Gardner, Eugene Winkler, Joseph Moore and Jim Sullivan. At 9:50 a.m. on Monday August 24, 2009, Member Gardner called the meeting to order. Chairman Jaffe entered the meeting at 10:00 a.m. Pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

1. **Pending Litigation and matters involving probable litigation;**
2. **Investigations concerning applicants and licensees;**
3. **Personnel matters;**
4. **Closed session minutes; and**
5. **Evidence and testimony presented in disciplinary hearings.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote. The Board recessed at 12:20 p.m.

On Tuesday, August 25, 2009 the meeting reconvened at 11:30 a.m. Present were the following Board Members: Chairman Aaron Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

The Board remained in Closed Session until approximately 12:47 p.m. The Board went into open session at 1:03 p.m. All members were present.

APPROVAL OF MINUTES

Member Gardner moved that **the Board approve the closed session minutes of its Regular Meeting of July 14 and 15, 2009.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

Member Gardner moved **that the board approve the open session minutes of its Regular Meeting of July 15, 2009.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

BOARD POLICY ITEMS -

Presentation by Caleb Melamed:

Trust Registration and Disclosure Forms

The proposed rulemaking amends Rule Section 3000.221, *Other Required Forms*, by requiring various categories of persons licensed or approved by the Illinois Gaming Board to submit Trust Registration and Disclosure Forms. Persons covered under the proposed rulemaking are Key Persons and Occupational Level One licensees or holders of, or applicants for, an Owner's or Supplier's license. The rulemaking will require these persons to submit a Trust Registration and Disclosure Form for the following: 1) any trust for which they are a grantor, trustee, or beneficiary, and which holds a direct or indirect interest in any gaming entity subject to regulation by a gaming jurisdiction; and 2) any other trust in which they have an interest if so requested by the Board. Each time a reportable gaming industry trust relationship is established, amended, or terminated, appropriate disclosure will be required as provided by Rule Section 3000.140.

The proposed rule change will ensure that the Board receives timely notification of gaming-related trust interests held by key persons and occupational level one licensees.

Complimentary electronic credits

In 2008, an amendment to Rule Section 3000.636, Distribution of Coupons for Complimentary Chips, Tokens, Vouchers, Cash and Electronic Credits, authorized the distribution of coupons for complimentary electronic credits (32 Ill. Reg. 17759, effective October 28, 2008). The present proposed rulemaking makes conforming changes to three additional sections, 3000.600, 3000.665, and 3000.666. In each of the amended sections, new language explicitly authorizes the distribution of complimentary electronic credits.

The proposed rule changes are needed to achieve consistency among different rule sections with respect to provisions relating to distributions of complimentary electronic credits.

- Proposed Rules
 - Rule 3000.221 – Other Required Forms

Member Moore moved **to authorize staff to submit proposed revisions to Section 3000.221 of the Adopted Rules for First Notice Filing with the Secretary of State upon final review and approval of the Administrator.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Rule 3000.600 – Wagering Only with Electronic Credits, Approved Chips, Tokens and Electronic Cards

Member Moore moved to **authorize staff to submit proposed revisions to Section 3000.600 of the Adopted Rules for First Notice Filing with the Secretary of State upon final review and approval of the Administrator.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Rule 3000.665 – Integrity of Electronic Gaming Devices

Member Sullivan moved to **authorize staff to submit proposed revisions to Section 3000.665 of the Adopted Rules for First Notice Filing with the Secretary of State upon final review and approval of the Administrator.** Member Moore seconded the motion. The Board approved the motion unanimously by roll call vote.

- Rule 3000.666 – Bill Validator Requirements

Member Sullivan moved to **authorize staff to submit proposed revisions to Section 3000.666 of the Adopted Rules for First Notice Filing with the Secretary of State upon final review and approval of the Administrator.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

CHAIRMAN’S REPORT/COMMENTS –

Chairman Jaffe

Since the legislature enacted the Video Gaming law the staff and the Board have been working diligently to understand what is needed to implement this law. We were not consulted prior to its passage so we had no knowledge of what was in the bill prior to that time. At this time I would like to share with you my impressions concerning the implementation of the law. As you know public policy of this lies with the legislature and the Governor. What is necessary to regulate that law lies with this particular Board and that is what I will address.

My first impression is that Video Gaming statute creates a new and different industry than the industry created by the Riverboat Gambling Act. Let me give you just a few examples of why I refer to this as a new industry. In the Riverboat statute there are ten casinos each with 1200 gaming positions. These casinos are open during set hours and cannot conduct business unless the Gaming Board has its police officers and agents present. In video gaming establishments, there are approximately 15,000 establishments liquor/licenses statewide that may have 5 machines in each establishment. Unlike the casino where gaming is the main and only business, video gaming is merely a supplemental business and not the main business of the establishment. It is much more difficult to regulate machines in 15,000 places rather than in 10 casinos. In the casinos, we have extensive surveillance capabilities whereas there is no surveillance in the

15,000 establishments. Further in the casinos the owners of the casino are the owners of the gaming devices. The new law requires the establishment which has the gaming device in it, not own the machines. Let me give you a few examples. First, there is the manufacturers of the gaming devices who must be licensed. Second there is the distributor of the devices who must be licensed. Next to be licensed under the law is the terminal operator who owns the machines and leases it to the licensed establishments who have the machines set up in its establishment. In between the last two there are other licenses such as the technician and the terminal handlers which are people who actually handle the machines or repair them. According to the law after the state takes its taxes out, after the terminal operator deducts expenses it splits the device profits between itself and the establishment. It is a different method of collection.

In order to maintain a minimum method of surveillance, the Gaming Board will have to either buy or contract for a computer which will monitor each and every device working in the State of Illinois and it has to be up and running 24 hours a day. It is my hope that the master computer could shut down any machine from its central location in the IGB offices in the event of malfunctions or questionable activity. At the present time we are attempting to piece together how to contract and build a master computer that would service our needs and give the surveillance that is necessary. The master computer would have a number of jobs including counting how much money the machine collected and earned and what is due the State of Illinois. There are things that the master computer could not do such as know the age of the player or whether the person is entitled to play. We will need agents to go through the establishments throughout the state to ensure that the laws are being adhered to. We also have the issue of who would then open these machines, close them and make sure that computer chips are properly installed by licensed agents.

What I have given you so far is just the tip of the iceberg of the new and different things we will be dealing with. There are many more.

The legislature required us to work on rules and regulations which they stated be completed by September 11, 2009; which I might add is quite impossible. In order to complete the rules we must confer with independent testing laboratories that will assist us with technical questions that we may have. My point is we are working on the rules, however we will not be rushed and we will complete them in a timely and accurate fashion. When the State of Louisiana passed video gaming; I am told they retained 7 attorneys just to work on the rules and regulations regarding video gaming. That is twice as many attorneys as we have on staff presently and I add that they are all overworked doing the business of the Riverboat Gambling Act. We are asked how many people we need to complete this whole process, at this time we have no idea. We are working on it. It could be that we may need three times the amount we have now.

In order to put the Video Gaming law into effect will take a great deal of resources and personnel. Therefore it was rather disappointing that the legislature passed a bill of this magnitude without providing us with resources or personnel to put this law into effect. This video law involves licensing many people. In the Riverboat Gambling Act, our budget is taken from the State Gaming Fund. In the Video Poker Act there is no source of funding provided.

I am disappointed but I am not surprised. The legislature did not even pass the bill providing for the codification of the Governor's Act of providing independence for the Gaming Board. We now have our independence as an agency. No funds were appropriated for our agency to carry on as an independent agency nor was funding provided for the Gaming Board to author the Act and Rules for video poker.

When the present members were appointed to the Board, this Board was under a dark cloud. It took a lot of work and effort of the staff and Board to instill public confidence in this Board. Not only was the public confidence re-instilled, the way we regulate is now a way others now emulate. We will do video poker in the same fashion as we regulate the casinos. We will do this at our own pace when we are funded and have proper staff to complete the task. We will continue to protect the integrity of gaming. Video poker must be regulated properly and with integrity.

ADMINISTRATOR'S REPORT –

Administrator Ostrowski

As you know, the legislature passed bills related to Video Gaming which was part of a larger capital construction program, signed into law by Governor Quinn on July 13, 2009.

Since that date the Board and its staff have taken several steps over the last month in efforts to effectuate the legislation. However, the task of implementing video gaming within the State of Illinois will take considerable time in order for it to be properly regulated.

We are in the process of developing guidelines for how video gaming will operate. We are researching, analyzing and studying Video Gaming rules and regulations from other jurisdictions. We are working to provide everyone with thorough, comprehensive rules which will dictate how we expect video gaming to be conducted within the State. At a future date, we will schedule a public hearing to receive input and comments pertaining to our rules.

At the same time, we are researching, analyzing and studying the various applications used by other jurisdictions and the scrutiny placed upon potential applicants at various levels of licensure. We are evaluating the questions on these applications and how the questions can be combined with many of the already existing questions that we currently use to probe an entity or individual's background and suitability. The development of these applications is an on-going task.

We have issued a Request for Information which responses were due at the close of business yesterday. We encouraged those who wish to submit information to us, to provide necessary information that the Board and its staff should be aware of concerning a centralized communications system. Armed with this information, along with our own research, and based upon our experience and background in the Gaming industry, we intend to issue a comprehensive and thorough Request for Proposal pertaining to said system.

We also intend to issue an RFP for the use of and assistance of an independent test lab or labs who will work with the IGB to ensure that all facets of Video Gaming operations are in compliance with our Act and Rules.

However, even though we have been delegated this extremely important and large undertaking we will not shirk our responsibilities of providing comprehensive regulatory and criminal law enforcement oversight to the casino gaming industry.

Additionally, this Board and staff has worked tirelessly over many years to effectuate the successful operation and re-opening of the 10th Casino license. Our efforts in this regard will continue. It is of the utmost importance to the Board, its staff and the State of Illinois to get this license working. Our suitability investigation of Midwest Gaming and its owners continues and will not be shelved just because Video Gaming has now moved to the forefront.

We are hopeful that our requests for staffing and funding will be granted so that all of these duties and responsibilities can be best carried out to protect the integrity of gaming in Illinois.

Chief Legal Counsel Michael Fries

We are keenly aware that as we take steps to implement this nascent industry, there are contemporaneous activities taking place throughout the state involving persons and businesses that may desire to benefit from video gaming. We want to remind everyone who wants to participate in the video gaming sector that there will be costs associated with the central communications system and terminal testing that you need to factor into your working business model.

There is a great deal of street level advice that is being offered by many different interests. Some of it has been shared with us and appears to be measured and limited to what is contained in the Act. Other matters that have worked their way to us are disconcerting. We feel it necessary to comment on a few matters at this time. The hope is that these comments will cause some to slow down and rethink their approach to video gaming and to make it clear that this is going to be a regulated industry.

Potential applicants must understand that any and all advice that they are following at present is at their own risk. All activity engaged in now is subject to scrutiny when an application is submitted and reviewed later.

Nobody has been issued a license under the Video Gaming Act. Yet, we are advised that parties are entering contracts, or what the Act refers to as “use agreements” relative to the placement of video gaming terminals. We intend to set forth some parameters in the Rules regarding use agreements. Today, however, we want to comment on due diligence, inducements, hold harmless clauses and assignment clauses.

First, if you have already entered into a use agreement or you are contemplating doing so, you are contracting with a person or a business that is not yet a licensee. Again, you do so at your

own risk. What due diligence did you perform relative to that person or business? What association did you have with them? That could, ultimately, affect your suitability.

Second, inducements to place video gaming terminals are prohibited by the Video Gaming Act. There is no gray area here. If you have to ask whether it's an inducement it probably is. Not only will applications that the Board is preparing contain a section on inducements, but use agreements will need to contain an affirmative statement by the parties that no inducement was offered or accepted regarding the placement of Video Gaming Terminals.

Third, as currently written, the Act does not contain any cut-off date for municipalities or counties to opt out of video gaming. We are not suggesting that it should. However, we can envision a scenario in the future where video gaming operators and establishments have been operating for a time and invested a considerable amount of money within a municipality or the unincorporated portion of a county which then opts out. Unless those video gaming operations are legislatively, grandfathered in, litigation will inevitably ensue from that situation. Accordingly, use agreements will need to contain a provision holding the State, the IGB and its agents harmless from all causes of action related to that situation.

Finally, we are aware that advice is being given to some terminal operators to make sure that use agreements contain an assignment right in case the terminal operator is found to be unsuitable. For example, I am found to be unsuitable to be a terminal operator. I have a use agreement with you to place 5 terminals in your business. The agreement also allows me to assign my interest in the agreement, should I be found unsuitable by the Gaming Board. I later call you and advise that I have been found unsuitable and can't do business with you but, I am now going to tell you who you are going to do business with, and you have no say in it. Obviously, there are a number of regulatory problems with that arrangement as it relates to a suitability determination. We are concerned that an establishment would agree to such an arrangement. We are even more concerned that a terminal operator would think that such an arrangement would be looked upon favorably by the Gaming Board.

Administrator announced the scheduling changes for future meetings. The October meeting which was originally scheduled for the 14th and 15th will now take place on October 5th and 6th and the November meeting which was scheduled for the 17th and 18th will be November 9th and 10th.

PUBLIC COMMENTARY –

The Chairman stated that there are a number of people who wanted to comment on our policies, but please realize that there has to be sufficient time to arrange the schedule to allow you to speak. So if there is anyone who would like to comment please contact staff in an ample amount of time.

- Anita R. Bedell, Executive Director, Illinois Church Action on Alcohol & Addiction Problems

The Illinois General Assembly moved very quickly to pass HB 255. This was like a flashback to 1999 when the Illinois General Assembly passed a capital construction bill and included a directive that the Gaming Board “shall grant” the relocation of a gambling operation to a location in which the licensee wishes to locate. Tom Grey and I testified before the Illinois Gaming Board to ask that the Board and professional staff thoroughly investigate and not be rushed or pressured into issuing the license. We applauded the Board, Administrator, and the professional staff for their efforts in eventually revoking the license to safeguard the citizens. Now, 10 years later while this board and professional staff are in the process of issuing the 10th license, the General Assembly passes another law to quadruple the number of video gambling machines in thousands of alcohol establishments statewide and they have given you 60 days to write the rules.

We have many questions and concerns about the new video gambling law. I come before you today to ask that you take as long as you need to write the rules to strictly regulate and enforce this law to protect and safeguard the citizens of Illinois.

Licensed Establishments

The Public Act defines “Licensed establishments” as any licensed retail establishment where alcoholic liquor is drawn, poured, mixed, or otherwise served for consumption on the premises. The State and Municipalities have several types of liquor licenses. Will grocery stores and big box stores (Sam’s Club) that have a retail liquor license to distribute wine samples, be able to have 5 video machines? Will beer tents at the State Fair be allowed to have video machines? Will special events, festivals or fund-raisers that have alcohol “on premises” be allowed to have video gambling machines? Some movie theaters are beginning to sell alcohol. Would they be allowed to have video gambling machines? What measures are you taking to withstand the pressure that will be placed on this board to allow an unlimited number of “licensed establishment” in the State?

In West Virginia, ice cream parlors and bakeries were applying for retail alcohol licenses so they could have video gambling machines and not be at a competitive disadvantage with the bars and restaurants. We do not want Illinois to become the Las Vegas of the Midwest, with video gambling machines in every grocery store, winery, gas station airport, golf course, hotel, restaurant, bowling alley, beauty shop, sports bar, tavern, club, truck stop, etc.

Licensing Requirements and Background Checks

The Las Vegas Sun reported that IGT and Bally Technologies use foreign labor to make components for slot machines. IGT has outsourced work to India and Bally opened offices in India and hired workers there as full-time Bally employees. This is a huge concern. We ask that you not allow unlicensed workers make, design, and influence the technology with no control system. The article mentions one Allowing feature that entices more people to gamble by recording a loss yet outwardly displaying something that looks like a win. Who will be required

to be licensed? There is no way to research the ownership of restaurants. Even if you require all licensed establishments and employees to have a background check, who will make sure that all part-time bartenders and wait staff are properly licensed?

Who will certify that the machines have not been tampered with when they are shipped to thousands of locations in Illinois? Who will monitor the trucks and companies that deliver the machines?

Hours of Alcohol Sales

Section 80 states: “The provisions of the Illinois Riverboat Gambling Act, and all rules promulgated hereunder, shall apply to the Video Gaming Act, except where there is a conflict between the 2 Acts.” We spoke before the Illinois Gaming Board in 1999 and 2000 and asked that alcohol hours at docked casinos reflect the sale of alcohol in local communities. The Board approved alcohol sales between the hours of 9:30 a.m. and 4:00 a.m. each day. Alcohol and gambling are a toxic mix. We are concerned that local residents will lose their entire paychecks at video gambling terminals that are easily accessible in their neighborhoods. We ask that the hours not extend this long for video gambling in neighborhoods.

Hours of Video Gambling at Truck Stops

While some truck stops operate restaurants, truck stops do not have to pour alcohol by the drink to qualify for a video gambling license. We ask that the Board specify in their rules that gambling machines cannot be operational 24 hours a day, 7 days a week. We are concerned about public safety when driver pull onto Illinois highways after losing all of their money in video gambling machines at truck stops.

Underage Gambling and enforcement of the Act

What measures will the Illinois Gaming Board implement to ensure compliance of the 21 year old age to gamble? How will underage gambling be enforced?

Children walk to and from school in many communities and will be exposed to gambling. Every year the alcohol law is changed to allow retail liquor licenses to be no closer than 100 feet from a church or school – some within 75 feet. This type of legislation will likely explode with retail liquor licenses seeking to exemptions for alcohol and gambling closer to schools, churches, and gambling facilities.

The riverboat casinos have cameras to record gambling activity, which can later be viewed for enforcement and compliance. We ask that you require surveillance cameras in all licensed establishments to monitor children and require a photo ID to prevent underage youth from entering and gambling in the gambling-designated areas of the establishments.

Alcohol and gambling

The Illinois Liquor Control Commission does not have the necessary funding or staff to adequately conduct compliance checks for underage drinking. Will you be able to secure funding to ensure the protection and safety of underage youth from alcohol and gambling?

We ask that you implement a ban against giving free drinks while gambling. Rock Island tried to pass a law to give free alcohol at the casinos this spring. In South Carolina, it was unlawful to offer any inducement to play video poker, such as free food or drinks, credit, taxi rides. However, 78% of gamblers surveyed in 1997 said they had been offered at least one illegal inducement to play video poker. What rules will you enact to enforce and prevent these types of illegal activity at Illinois video gambling establishments?

If a person is too intoxicated to be served alcohol, will he/she also be denied access to the video gambling machines? Will people be able to file a lawsuit against an establishment that over serves a gambler who then loses all of his/her money?

- Commissioner Bridget Gainer, Cook County Board of Commissioners 10th District

Chairman Jaffe and Members of the Gaming Board,
Thank you for the opportunity to address the issue of Video Gaming.

My name is Bridget Gainer, Commissioner, Cook County Board.

I am here with my colleague, Brien Sheahan, Commissioner from DuPage County. He and I share your concerns regarding the issuance of rules to govern the largest expansion of gambling in the history of our state.

While there is much to debate about the disastrous impact of the legalization of neighborhood gambling will have on our communities, my focus of testimony today will be the promulgation of rules and some of the issues that have arisen in other states.

As you know, of the 9 states that have legalized community based video gambling, 4 have gone on, in fairly short order to repeal it due to a range of negative issues:

Gambling by children and teenagers

Public corruption

Dramatic increases in family bankruptcy

Double digit increases in Crime

Each of these issues speaks to a failure in the regulatory process – either in how the rules were written, or the inability to enforce the rules in a real world context.

Iowa and South Carolina continually reported a failure of restaurants to keep children and teenagers from gambling – this is also a tremendous problem in West Virginia, which has seen a spike in crime and gambling addiction in young people.

Public corruption also saw an increase in jurisdictions where video poker was introduced – eventually leading to a ban in SC. To quote a NYT article regarding the ban in SC – “The level of contributions to political campaigns of legislators was so high that proponents of regulation could never produce agreements on real limits.” In the 1998 governors race video poker interests funded over half of the campaign of the candidate that opposed the repeal.

Every jurisdiction that has seen the introduction of video gaming based in communities has seen a double digit increase in crime. This is an issue that addresses the merits, but also the roll-out of the regulations for neighborhood gambling.

Dave Nelson, the Attorney General of South Dakota says “Video gaming is making criminals out of people who would not otherwise be involved in the criminal justice system.”

In each case, local law enforcement was either unprepared or under-resourced or both to take on this explosion of new criminal activity.

In each case, the state was so focused on the dollar signs-whether or not they will ever come to fruition, they neglect their core responsibility, which is protecting the public welfare.

We have already seen this thinking in the creation of the very rules this body is to produce. Even with the state claiming millions will be garnered in new revenue - not one additional dollar was devoted to getting the rules right. That does not portend well for the future when local law enforcement’s need for additional resources in the community will fall on similarly deaf ears.

In closing, there is much disaster and little benefit from the lightening speed at which we have been confronted with the expansion of neighborhood gaming. While our goals are clear – to show through the opt-put process the tremendous unpopularity of this policy.

Our request of you today is to consider not just the legalities of the regulations – because clearly all states have good intentions and smart people on their own gaming boards, but to look seriously at all the costs – social, law enforcement, legal – and make sure that those profiting from the expansion of gaming do not shift these heavy burdens to taxpayers and communities.

- Les Bernal, Executive Director, Stop Predatory Gambling Foundation

Good afternoon. My name is Les Bernal and I am the Executive Director of the Stop Predatory Gambling Foundation, a national, non-partisan social movement to stop the practice of state sponsored predatory gambling based in Washington, DC.

I am here today to speak to the issue of video poker machines but before I begin, I want to briefly tell you that I have been all over the country and I am very familiar with most of the gambling regulatory bodies in America. I want to reinforce what the Chairman said about this

Board and its staff at the beginning of this meeting. I have found that the Illinois Board and its staff has indeed earned an excellent reputation for its independence and its professionalism and is considered a model by several other states.

This reputation for independence and professionalism will be needed more than ever as you consider the video poker proposal sent to you by the Illinois Legislature. You've been given an impossible job. I commend the Chairman for stating clearly that you need to move very, very slowly with this proposal.

Because the very important policy question before you is not a debate about social forms of gambling like the kitchen table poker game with the guys from the neighborhood. It's about predatory gambling - using gambling to prey on human weakness *for profit* – and a business model that relies on 90% of its gambling profits coming from 10% of the people who use the product, making nine out of every ten patrons virtually irrelevant to their revenues.

There are at least four major differences between social forms of gambling like the kitchen table poker game versus predatory gambling products like video poker machines: 1) The speed of the games; 2) the kind of “buzz” or high people get when they play; 3) the amount of money people lose; and 4) the predatory marketing used to promote it. Video poker is the purest form of predatory gambling.

I want to raise three specific questions for this Board and its staff to thoroughly investigate before any regulations are considered:

1) The first question is: How do you regulate a product that is designed to get its users “to play to extinction?”

There's little understanding of the machines and marketing that drive the predatory gambling trade. According to MIT Professor Natasha Schull, the goal of technology is no secret: how to get people to play longer, faster and more intensively. Every feature of the machine- the mathematical structure, visual graphics, sound dynamics, seating and screen ergonomics- is geared, in the actual language of the predatory gambling trade, to get gamblers to “play to extinction” – which means until their money is gone.

There are at least 7000 Illinois residents, those who have listed themselves on the state's self-exclusion list, who have already been played to extinction.

In 2008, Penn National was fined \$800,000 by this Board for marketing to problem gamblers who had put themselves on the self-exclusion list. What was Penn National's defense? As part of a campaign to develop new customers, the casino rented a list of names from a firm that operates ATM machines at Illinois casinos and the casino's marketing department failed to check the list against the names of people enrolled in the Self-Exclusion Program.

Why does Penn National and casinos like it aggressively market to gamblers who take money out of casino ATMs? Because these gamblers are the ones most likely to lose control of their

spending. They lost the money they arrived with at the casino and then needed to withdraw more of their savings to chase the money they lost earlier.

How can this Board possibly regulate and enforce its regulations against these kinds of predatory business practices by the video poker machine operators with the limited time and minimal resources you have been given?

2) The second specific question I respectfully ask this Board is: How do you regulate a product with a business model that relies on people losing their savings, pushing them further into debt?

Nearly every state Attorney General in America has been suing subprime lenders for their predatory lending practices. Congress recently acted to roll back the predatory practices of credit card companies. Yet here in Illinois, there is a massive effort to expand the most predatory institution still standing in America.

What this is doing in Illinois is creating two classes of people: the Investor Class and the Lottery Class. While most of us are part of the Investor Class, putting money away in retirement accounts and 529 college funds for our kids, the state is turning tens of thousands of people who are small earners with the potential to be small savers into a new class of habitual bettors - the Lottery Class. They represent the 1 out of 5 Americans who, according to the Consumer Federation of America, think the best way to achieve long-term financial security is to use state-sponsored gambling products.

How do you regulate video poker in a way that enables tens of thousands of low and moderate-income of Illinois residents to join the class of savers and investors... to accumulate the capital they need to live the real American Dream?

3) My third and final question for this Board is: How can this Board regulate this product in a manner consistent with the democratic rights of every citizen?

Taylor Branch is the Pulitzer Prize-winning historian of the civil rights movement and biographer of Martin Luther King and he also has been one of America's most outspoken voices about predatory gambling.

"State-sponsored predatory gambling is essentially a corruption of democracy because it violates the most basic premises that make democracy unique: that you can be self-governing, you can be honest and open about your disagreements as well as your agreements, and that you trust other people that you are in this together. That's what a compact of citizens is. And the first-step away from it is to play each other for suckers. We're going to trick them into thinking they are going to get rich but they are really going to be paying my taxes."

The video poker proposal before you is dependent on addicted or heavily-indebted citizens. Video poker proponents attempt to elude charges of exploitation by pleading it is a "voluntary" act, hiding under the cloak of "freedom." But by definition, someone who is an addict or someone who is in deep financial debt is not free.

In a country where everyone is considered equal, where all blood is royal, how can the state regulate a product that renders some of our fellow citizens as expendable?

- Tom Swoik, Executive Director, Illinois Casino Gaming Association

Good afternoon, today I am here on a positive note, I would like to announce that the members of the Association have agreed to become members of the Illinois State Black Chamber of Commerce and will support their Convention to be held on September 17-19 at the Fairmont Hotel, here in Chicago. The Association will participate in panel discussions related to procurement, help host the opening reception and have a booth at the conference with purchasing staff from the casinos.

The Illinois State Black Chamber of Commerce is dedicated to economically empowering and sustaining African American communities through entrepreneurship and capitalistic activity within the State of Illinois and providing advocacy for businesses throughout the state.

We believe this new relationship will help the casinos improve not only their minority spend, but also the recruitment of minority staff.

Secondly, I would like to announce that the Association will again co-sponsor a minority business fair. This event will be held at the Hollywood Casino in Aurora on October 22 from 11-2, in conjunction with the Quad County African American Chamber of Commerce. I invite each of you to attend this important event.

- John J. Pastuovic, Director of Media and Public Affairs, Chicago Crime Commission

Hello, my name is John Pastuovic; director of Public Affairs for the Chicago Crime Commission. For over 89 years, the Chicago Crime Commission has played a leadership role in tracking the business of crime. Made up of business leaders committed to ethical business practices, we speak out against organized criminals and the tools of their trade: gangs, gambling, guns, extortion, intimidation and corrupt officials who allow them to ply their trade.

The Chicago Crime Commission is represented here today to encourage the ban of video gambling machines in Illinois. We are also here to warn that the long-term cost to society would far outweigh any short-term revenue gains if video gambling machines are installed. Law enforcement and other regulators would be left with a virtually uncontrollable situation. The decentralized nature of video gambling may soon turn Illinois into the “Wild West” of gambling.

Video gambling has been called the ‘crack cocaine’ of gaming for good reason. With the proliferation of video gambling, communities can expect to experience an increase in crime and a rise in other social ills including the effects of gambling addiction. According to legislative analysis, about 45,000 video gambling machines may soon be scattered throughout communities in Illinois.

While a law enforcement needs analysis is currently non-existent, the Chicago Crime Commission estimates communities in Illinois will soon have to hire hundreds of new police and regulatory personnel to begin addressing the law enforcement requirement of this gambling expansion.

Unfortunately, we haven't heard anyone address this reality or speak to how these needs and their associated cost will be met.

We are also concerned that it would be difficult if not impossible to curb the influence of organized crime in this new, tough to regulate enterprise. It is a fact that organized crime is known to gravitate towards gambling and other ancillary businesses. We expect that they are already lining up for their piece of this very lucrative pie.

Additionally, we are troubled that the state's self exclusion program, which prohibits problem gamblers from entering casinos, would be left hobbled if video gambling proliferates in Illinois. We have significant concern that entire families will be left penniless because Mom or Dad will be feeding their entire paycheck into the video poker machines.

The Chicago Crime Commission congratulates the municipalities and counties that have forwarded and support legislation to ban video gambling in their communities. We encourage the Illinois legislature and the Governor to do the same on a statewide basis.

OWNER LICENSEE ITEMS

- Item for Initial Consideration
 - Empress Casino – Parking Garage Construction

Joe McBride, Interim General Manager of the Empress Casino addressed the Board for initial consideration of the 1100 space parking garage. Mr. McBride then reviewed the process that Frank Quigley had initiated regarding the construction and fire that had occurred. Mr. McBride thanked the Board and staff for their diligent efforts.

- Item for Final Action
 - Casino Queen – License Renewal

Based on a review of staff's investigation and recommendation, Member Winkler moved that **the Board approve the Owner's License of Casino Queen Incorporated for a term of 4 years commencing retroactively to July, 2009 and expiring in July, 2013.**

Furthermore, staff recommends that the Board designate the following individuals and positions as Key Persons of Casino Queen Incorporated:

- 1. President;**
- 2. Casino Queen Board of Directors;**

3. Casino Queen Audit Committee;
4. Charles W. Bidwill III;
5. Michael J. Gaughan;
6. Patrick B. Kenny;
7. James G. Koman;
8. William J. Koman;
9. Michael J. Kralovec;
10. Timothy J. Rand;
11. Mary Ann Kenny Smith, and
12. Franklin Toti.

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Penn National Gaming, Inc. – Credit Revolver Extension

Paul Jensen appeared before the Board to ask for approval for Penn’s credit revolver extension.

Member Gardner asked what is the exact status of the approval process and the finalization of the terms. Paul Jensen said the terms are all finalized at this point. Mr. Jensen replied that there are one or two states which are still waiting approval. Member Gardner stated that the Board needs some clarifications and Mr. Jensen replied that he has the information available and will furnish the information to the staff.

Based on a review of staff’s investigation and recommendation and pursuant to Section 3000.230(d),(1),(C) of the Adopted Rules, Member Gardner moved **that the Board approve in principle Penn National Gaming, Inc.’s request to amend the Company’s \$750.0 million revolving credit facility and delegate final approval to the Administrator, with the understanding that Penn National Gaming, Inc. will extend the maturity date of the facility from October 2010 to July 2012 and allow for an increase to the maximum amount available from \$750.0 million to \$1.0 billion through October 2010, at which point, the amount of availability reverts to \$750M until the Revolver matures in July 2012.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

SUPPLIER LICENSEE ITEMS

- IGT – Patti S. Hart, President, Chairman of the Board & Chief Executive Officer – Key Person

Based on a review of staff’s investigation and recommendation, Member Moore moved that **the Board approve Patti S. Hart as a Key Person for IGT in her positions as President, Chairman of the Board & Chief Executive Officer.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Happ Controls, Inc. – Thomas Bruse Happ, President – Key Person

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Thomas Bruse Happ as a Key Person for Happ Controls, Inc., in his position as President.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- TR-Biz, LLC (Tech Results) – Designation of Position as Key Person

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board designate the following position as a key person of the TR-Biz, LLC: Chief Executive Officer.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

OCCUPATIONAL LICENSES APPROVALS & DENIALS – LEVEL 2'S & 3'S

Based on staff's investigation and recommendation, Member Sullivan moved that **the Board approve 33 applications for an Occupational License, Level 2, and 160 applications for an Occupational License, Level 3.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTIONS -

- Tiffany Smiley – Occupational Licensee

Based on staff's investigation and recommendation, Member Sullivan moved that **the Board issue a Disciplinary Complaint against Tiffany Smiley, an occupational licensee, for failing to disclose all material changes in information to the Board.**

Further, Member Sullivan moved that **the Board suspend Tiffany Smiley's occupational license for 10 work days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Nitza Hernandez – Occupational Licensee

Based on staff's investigation and recommendation, Member Winkler moved that **the Board issue a Disciplinary Complaint against Nitza Hernandez, an occupational licensee, for failing to disclose all material changes in information to the Board.**

Further, Member Winkler moved that **the Board suspend Nitza Hernandez's occupational license for 10 work days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Alonzo A. Smith – Occupational Licensee

Based on staff's investigation and recommendation, Member Gardner moved that **the Board issue a Disciplinary Complaint against Alonzo A. Smith, an occupational licensee, for riding the Metrolink without a ticket and his representation to authorities that his Casino Queen badge entitled him to ride the Metrolink for free.**

Further, Member Gardner moved that **the Board revoke Alonzo A. Smith's occupational license. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

- April S. Ewing – Occupational Licensee

Based on staff's investigation and recommendation, Member Moore moved that **the Board issue a Disciplinary Complaint against April S. Ewing, an occupational licensee, due to her June 18, 2009 conviction for Theft By Deception.**

Further, Member Moore moved that **the Board revoke April S. Ewing's occupational license. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

- Rock Island Boatworks, Inc. d/b/a Jumer's Casino and Hotel, Ronald Wicks, James L. Milne and Mary Mantia

Based on staff's investigation and recommendation, Member Winkler moved that **the Board issue a Disciplinary Complaint against Rock Island Boatworks, Inc. d/b/a Jumer's Casino and Hotel, Ronald Wicks, James L. Milne and Mary Mantia for Jumer's Casino and Hotel's continued use of confidentiality agreements prohibiting Jumer's Casino and Hotel employees from sharing confidential information with the IGB.**

Further, Member Winkler moved that **the Board impose a fine of \$100,000 on Rock Island Boatworks, Inc. d/b/a Jumer's Casino and Hotel, suspend Ronald Wicks' occupational license for a period of 5 days without pay, suspend James L. Milne's occupational license for a period of 5 days without pay and suspend Mary Mantia's occupational license for a period of 3 days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensees file Answers within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

ADMINISTRATIVE HEARINGS/ALJ REPORTS –

- Request for Hearing – Trinidad Duran

Based on the review of staff's investigation and recommendation, Member Sullivan moved that **Trinidad Duran's request for a hearing be denied. He has offered no facts that establish a prima facie case.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator